

INFORMATION PAPER

CFO ISSUES – FY 2000 AUDIT

Issue: Government-wide Commercial Credit Card (International Merchant Purchase Authorization Card—IMPAC) Purchase Procedures

Reference:

HQ, USACE, Purchase Card Procedures

Description: The purpose of providing the government-wide commercial credit card is to simplify the small purchasing process and improve cash management practices. However, credit card purchases are believed to involve more risk than the regular purchasing process, because the use of the card provides an inherent weakness related to the segregation of duties (originate, approve, certify, obligate, receive, and disburse) in the purchasing/disbursement process. This is particularly true in “over-the-counter” type purchases where the cardholder directly receives the goods. In an ideal situation each of the duties in the process would be segregated. This would greatly reduce possibilities of errors going undetected and/or manipulation of the process. This type of segregation is often seen with non-credit card purchases. (Note also that segregating certain of these actions is more important than others--segregating origination of a PR&C is of little value, while segregating approval, receiving, and disbursement of funds is very important.)

As mentioned, credit card purchases are believed to involve more risk than the regular purchasing process, and various controls are used to help minimize the risk. These include:

- \$2500 single purchase limit
- Monthly dollar limits
- Organization/office limits
- Limiting types of purchases
- Monthly review and approval by an independent "Approving Official" of all purchases made by a cardholder during the month.
- Review of expenses by project or responsible management.
- Periodic review of purchases and controls by the contracting group.

However, the more important control in the credit card process is the review of the purchases and reconciliation to the bank statement by the "approving official". This is an after-the-fact control, but it is the critical control in the credit card process. A very important control not often mentioned in the credit card process is to have the goods/services received by someone other than the credit card holder. This makes control much stronger by ensuring that at least two people are involved in the transaction prior to review by the "approving official". It is not always possible to have a second person do the receiving because of very small locations and/or “over-the-counter” transactions, but it is recommended whenever possible for stronger control.

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Requirements for Compliance:

Standard: Activities must establish written policies for issuing and using IMPAC cards, and implement procedures to ensure that:

- A credit card holder reviews monthly statements to ensure the billing includes only those purchases actually made.
- An approver reviews individual purchases and approves monthly statements for all cardholders for which he/she is an approver.

Field Action: Comply with standard as written.

Self-Assessment Rating Criteria:

Green (Compliant): Approved policies are documented and procedures are validated by management.

Milestone: MSC Commanders provide quarterly assessment.

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